Financial Statements of

Saskatchewan Association of Health Organizations
Disability Income Plan – General

December 31, 2010

Provincial Auditor Saskatchewan

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SASKATCHEWAN

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Saskatchewan Association of Health Organizations

I have audited the accompanying financial statements of Saskatchewan Association of Health Organizations Disability Income Plan – General (Plan), which comprise the statement of financial position as at December 31, 2010 and the statements of operations, net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2010, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
May 19, 2011

Bonnie Lysyk, MBA, CA•CIA
Provincial Auditor

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To: The Members of the Legislative Assembly of Saskatchewan

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Regina, Saskatchewan
May 19, 2011

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SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
DISABILITY INCOME PLAN - GENERAL
Statement of Financial Position
As at December 31

	2010	2009
ASSETS		
Cash	**$ 301,523**	$ 165,913
Accounts receivable (Note 3)	**540,432**	510,613
Investment in Master Trust (Note 5)	**34,573,839**	31,318,732
TOTAL ASSETS	**35,415,794**	31,995,258
LIABILITIES AND NET ASSETS		
Accounts payable (Note 3,7)	**146,449**	140,105
Provision for future disability benefits (Note 3,8)	**21,289,000**	22,030,000
Total Liabilities	**21,435,449**	22,170,105
Net Assets	**13,980,345**	9,825,153
TOTAL LIABILITIES AND NET ASSETS	**$ 35,415,794**	$ 31,995,258

See accompanying notes

On behalf of the SAHO Board of Directors:

Director

Karen Kuelsen
Director

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS

DISABILITY INCOME PLAN - GENERAL

Statement of Operations

For the Year Ended December 31

	2010	2009
REVENUES		
Contributions - employees and employers	**$ 6,238,463**	$ 6,001,315
Recoveries	**126,487**	208,021
Investment income	**1,043,110**	1,066,635
Gain (loss) on redemption of Master Trust units	**23,700**	(5,434)
Total Revenues	**7,431,760**	7,270,537
EXPENSES		
Disability benefits	**4,733,360**	4,287,831
Change in provision for future benefits (Note 3,8)	**(741,000)**	1,207,000
Administrative expenses (Note 7)	**239,457**	244,212
Consulting fees	**67,735**	68,200
Custodian fees	**10,385**	9,049
Fund management fees	**64,774**	71,984
Investment counseling fees	**14,679**	11,085
Professional fees	**77,240**	54,900
Total Expenses	**4,466,630**	5,954,261
REVENUES OVER EXPENSES	**$ 2,965,130**	$ 1,316,276

See accompanying notes

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
DISABILITY INCOME PLAN - GENERAL

Statement of Net Assets

As at December 31

	2010	2009
Net Assets, beginning of year	**$ 9,825,153**	$ 5,733,136
Revenues over expenses	**2,965,130**	1,316,276
Net Assets, before investment valuation adjustment	**12,790,283**	7,049,412
Unrealized (loss) gain from investment in Master Trust	**1,213,762**	2,770,307
Realized (gain) loss from investment in Master Trust	**(23,700)**	5,434
Investment valuation adjustment (Note 6)	**1,190,062**	2,775,741
NET ASSETS , END OF YEAR	**$ 13,980,345**	$ 9,825,153

See accompanying notes

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS

DISABILITY INCOME PLAN - GENERAL

Statement of Cash Flows

For the Year Ended December 31

	2010	2009
OPERATING ACTIVITIES		
Contributions received	**$ 6,226,497**	$ 6,005,065
Recoveries	**126,487**	208,021
Disability benefits paid	**(4,729,381)**	(4,311,161)
Administrative and professional expenses paid	**(394,056)**	(380,104)
Fund management and counseling expenses paid	**(94,803)**	(82,802)
Net cash flows from operating activities	**1,134,744**	1,439,019
INVESTING ACTIVITIES		
Proceeds from redemption of Master Trust units	**17,015**	20,231
Purchase of Master Trust units	**(1,016,149)**	(1,414,445)
Net cash flows used in investing activities	**(999,134)**	(1,394,214)
Net increase in cash	**135,610**	44,805
CASH, BEGINNING OF YEAR	**165,913**	121,108
CASH, END OF YEAR	**$ 301,523**	$ 165,913

See accompanying notes

SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS
DISABILITY INCOME PLAN – GENERAL
Notes to the Financial Statements
December 31, 2010

1. DESCRIPTION OF PLAN

The Saskatchewan Association of Health Organizations (SAHO) administers the SAHO Disability Income Plan – General (the Plan) under the direction of the SAHO Board of Directors who receives advice from the Employee Benefits Committee. The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan text.

a) Effective date

The effective date of the Plan was January 1, 1975.

b) Purpose of plan

The Plan provides protection against total loss of income due to disability for all eligible employees and complements the sick leave plan of each participating employer. The Plan is designed to integrate with government's disability programs. Eligible employees receive the following disability benefits:

- After an initial 119 day qualifying period, long term disability benefits equal to 75% of pre-disability regular gross monthly earnings.

c) Eligibility

Employees of health-care organizations in the Province of Saskatchewan that are members of SAHO, but not members of any other SAHO Disability Income Plans and meet the eligibility requirements may participate in the Plan. A number of Service Employees International Union members have been grandfathered into this Plan.

d) Employers' and employees' contributions

The financial requirements of the Plan are measured on a continuous basis and adjustments to the contribution levels are made accordingly. The total monthly contribution at December 31, 2010 was 1.54% of each eligible employee's normal earnings. Cost-sharing arrangements between the employee and employer vary amongst the employers. There have been no changes to this rate subsequent to the Plan's year-end.

1. DESCRIPTION OF PLAN (continued)

e) Termination of plan

During the first twelve months immediately following the date of termination, benefits will continue to be paid in accordance with the terms of the Plan. Thereafter, the remaining Plan funds held in trust shall be used as follows after providing for expenses of the Plan:

(i) Employees receiving disability benefits under the Plan shall have their disability benefits purchased from an insurance company under a single premium non-participating closed group long term disability contract, if such contract is available in the market. If the funds remaining are not sufficient to provide full benefits under such a contract, the funds available shall be allocated proportionately.

(ii) If such a contract is not available in the market, the funds available shall be allocated to employees receiving disability benefits under the Plan to the extent of the amount of the liabilities established by an actuary's valuation. If the funds remaining are not sufficient to provide the full amount of benefits as established by the actuary, the funds available shall be allocated proportionately.

(iii) Any Plan funds remaining after having made the allocations described above, shall be paid to SAHO for distribution for the benefit of eligible employees or as otherwise may be determined or directed by the SAHO Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and include the following significant accounting policies:

a) Financial instruments

All financial instruments that are financial assets or financial liabilities have been identified and classified. The classification determines how each financial instrument is measured. The Plan's financial instruments and their classifications, as determined by SAHO, are as follows:

(i) Investment in Master Trust

The Investment in Master Trust is classified as available-for-sale. The Plan selected this method as it better reflects its investment intentions. The Investment in Master Trust is recorded at fair value which is based on published quotes. The Plan holds units of the Master Trust, which in turn holds a diversified investment portfolio including money market securities, bonds, Canadian equities, and pooled funds, which invest in US and Non-North American equities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investment in Master Trust (continued)

The Plan records its proportionate interest in the Master Trust. The Master Trust is a pooled investment fund where its unit-holders own an undivided interest as described in Note 5. Accordingly, income received or receivable from the Master Trust is described as such without reference to the type of investment income it represents within the Master Trust. Investment income is recognized as it accrues to the Plan. Interest income is recorded using the effective interest method. For accrual purposes, income receivable annually from the Master Trust is allocated to the unit holders based on the ownership units owned at year end. Realized gains and losses are recorded in revenues or expenses when realized. Unrealized gains and losses are recorded in a separate component of the net assets until they are realized. Transaction costs are expensed as incurred.

(ii) Cash, Accounts receivable and Accounts payable

Cash is classified as held-for-trading and is recorded at fair value. Accounts receivable are classified as loans and receivables while accounts payable are classified as other liabilities. Each of these financial instruments is measured at amortized cost which approximates their fair value due to their short term nature.

b) Contributions revenue

Contributions are recognized as revenue when due.

c) Provision for future disability benefits

The provision for future disability benefits represents the actuarial present value of accrued disability benefits at year end and includes an actuarial calculation of disability claims incurred but not reported. Any resulting change in this provision is recognized as a revenue or expense in the statement of operations.

d) Recoveries

Recoveries include amounts received from various external parties relating to disability payments to claimants in the past.

e) Income taxes

The Plan is a self insured disability income plan and as such is not subject to income taxes under *The Income Tax Act*. Disability benefits paid from the Plan are subject to source deductions that are withheld and remitted to the Canada Revenue Agency.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimations.

g) Future accounting standards

The Accounting Standards Board (AcSB) requires all publicly accountable enterprises (PAE's) to adopt International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The AcSB has stated that pension plans (as defined below) are PAE's; however, it has mandated that these plans will follow Section 4600 *Pension Plans,* of the CICA Handbook, rather than the applicable IFRS standard.

Section 4600 *Pension Plans*, is effective for fiscal years beginning on or after January 1, 2011 and is to be applied retrospectively to all prior periods presented. The Section applies not only to pension plans but also to benefit plans with characteristics similar to pension plans that provide benefits other than pensions (for example, retiree health care and life insurance benefits, long-term disability plans, and master trusts). This new Section is applicable to the Plan for its fiscal year commencing on January 1, 2011. The adoption of this new Section is not expected to have a material impact on the financial statements of the Plan as the majority of the new items are disclosure related items.

3. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Credit risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations. This risk is managed by the following policies and procedures:

- The Master Trust, which holds the investments of the Plan, limits credit risk by dealing with securities that are considered to be investment-grade quality as rated by external credit rating agencies;
- The Statement of Investment Policies and Procedures (SIP&P) of the Master Trust requires the investment managers to minimize undue concentration of investments in any single geographic area, industry, or company;
- A requirement of the SIP&P is the investments of the Master Trust are distributed among several classes of assets based on an established asset mix. This asset mix specifies the minimum, maximum and optimal level by type of investment such as money market securities, bonds, and equities.

3. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

a) Credit risk (continued)

- The investment portfolio and investment managers are monitored continuously and their results are reviewed regularly by SAHO's Board of Directors.

Short-term investments of the Master Trust consist of an investment in an institutional short term investment fund (the Fund), which invests in high quality short term debt obligations issued or guaranteed by Canadian governments, or issued by corporations with a maximum term to maturity of one year. The minimum acceptable credit rating for these investments is R1 or equivalent. Earnings are reinvested within the Fund.

Investments in bond funds of the Master Trust consist of two active managed bond funds (the Funds). Earnings in these Funds are reinvested in each respective fund and distributed out to unit holders on an annual basis.

The Master Trust's (see Note 5) maximum credit risk exposure related to financial assets is as follows:

Cash	$	35,317
Dividends receivable		27,360
Short-term investments		546,209
Bond funds		60,689,118
Equities		61,877,881
	$	123,175,885

The Plan is exposed to minimal credit risk from the potential non-payment of accounts receivable of $486,273 (December 31, 2009 – $448,583) as these receivables are from related parties and are collected shortly after year end.

The remaining accounts receivable balance relates to amounts recoverable on paid claims in the amount of $44,120 (December 31, 2009 – $53,305) which are subject to higher credit risk as these accounts are due from non-related parties to the Plan.

b) Liquidity risk

Liquidity risk is the risk that the Plan will not be able to meet all cash outflow obligations as they come due. The Plan's objective is to maintain sufficient assets to discharge future disability claim obligations and to generate cash flow required for disability payments.

The Plan closely manages operating liquidity through cash flow matching of assets and liabilities. The level of incoming contributions is reviewed regularly to ensure they support the existing claims. In cases when the contributions do not cover claims, the Plan will redeem

3. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

b) Liquidity risk (continued)

units of the Master Trust, increase the contribution rates for employees and employers, or do both. The Plan does not utilize lines of credit.

The estimated contractual maturities of the Plan's financial liabilities at December 31, 2010 are:

- up to three months for accounts payable; and
- provision for future disability benefits: zero to six months: $2,169,251; seven to twelve months: $1,808,488; year two: $2,856,013; three to five years $6,067,779; over five years $12,548,570.

c) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on cash flows, financial position and income. The Plan manages this exposure to fluctuations in interest rates by using the Master Trust which invests in a mix of fixed and variable rate investment assets. Duration is a measure used to estimate the extent market values of fixed income investments could change due to changes in interest rates. It is estimated that a 100 basis point change in interest rates would change net assets and unrealized gains/losses on investments by $878,000 (2009 – $789,000), representing 2.54% (2009 – 2.51%) of the fair value of the overall investment portfolio.

d) Foreign currency risk

Foreign currency risk impacts the Plan via the investment holdings of the Master Trust as it converts non-Canadian holdings of pooled funds which invest in foreign equities and bonds at various points in time during the fiscal year at different foreign exchange rates. During the year, there may be adverse changes in foreign exchange rates. The largest notional amount of foreign currency held by the Master Trust is EAFE (Europe, Australasia and Far East) currencies with the remainder held in US dollars.

To mitigate currency risk, the Master Trust's investment policy allows up to 10% of the entire bond portfolio's market value to be invested in foreign currencies. At December 31, the exposure to US dollar denominated bonds was 1.60% (2009 – 1.23%) [US dollar investments represents 15.78% (2009 – 15.64%) of the entire investment portfolio] and EAFE currencies denominated bonds was nil (2009 – nil) [EAFE currencies investments represent 21.16% (2009 – 20.71%) of the entire investment portfolio].

3. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

d) Foreign currency risk (continued)

At December 31, a 10% change in the Canadian dollar to US dollar exchange rate would result in approximately a $545,200 (2009 – $489,700) change in net assets and unrealized gains/losses on investments. A 10% change in the Canadian dollar to EAFE currencies exchange rate as at December 31 would result in approximately a $731,000 (2009 – $648,200) change in net assets and unrealized gains/losses on investments.

e) Equity risk

Equity risk is the uncertainty associated with the value of equity investments due to changes in equity markets. To mitigate equity risk, the SIP&P has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. The Master Trust is exposed to changes in equity prices in Canadian, US and EAFE markets through its investments. Equity investments comprise approximately 50.3% (2009 – 50.4%) of the overall carrying value of the Master Trust investment fund.

The approximate impact to net assets and unrealized gain/losses on investments to a 10% change in equity prices is:

- $513,600 (2009 – $477,000) for changes in Canadian equities (S&P/TSX Composite Index);
- $269,200 (2009 – $235,200) for changes in US equities (S&P 500 Index)
- $380,800 (2009 – $384,000) for changes in non-North American equities (MSCI EAFE Index); and
- $573,300 (2009 – $482,000) for a change in Global pooled funds (MSCI AC World + Index)

4. CAPITAL MANAGEMENT

The primary objective of capital management for the Plan is to maintain an adequate cash balance in order to pay current and future approved disability claims along with the related administrative expenses. The Plan is not subject to any externally imposed capital requirements. The Plan's only source of cash is the contributions received from its employee and employer members. Neither the employee/employer members nor SAHO contribute any other cash to the Plan. Also, the Plan cannot go to public capital markets to issue debt or common shares.

There have been no changes to the capital management objectives of the Plan as at December 31, 2010.

5. INVESTMENT IN MASTER TRUST

The investment portfolios of all SAHO disability income plans, including the Plan, are managed as a pooled fund referred to as the Master Trust.

Under the terms of the Master Trust:

- Ownership units of the Master Trust were initially allocated to the unit holders based on the fair value of the investment portfolios contributed;
- The fair value of the Master Trust ownership units are calculated at each calendar month-end by dividing the outstanding ownership units into the month-end fair value of the Master Trust; and
- Net losses realized, interest, and dividends earned by the Master Trust are allocated to the unit holders at the end of the year based on the number of Master Trust ownership units owned at December 31.

The objective of the Master Trust is to provide a secure investment structure and to maintain sufficient assets. These assets are then used to provide funding to the disability income plans to cover present and future disability payments to eligible claimants. The Plan holds units of the Master Trust. Several managers are employed by the Master Trust and are provided investment guidelines which, coupled with the overall investment policies, are designed to minimize risk, including interest rate, credit, foreign currency, and market risks (see Note 3).

At December 31, 2010 the Plan held 150,154.826 units (December 31, 2009 – 145,434.394 units) of the Master Trust representing approximately 28.07% (2009 – 28.87%) of the total units outstanding. The total cost of investments held by the Master Trust at December 31, 2010 is $126,105,027 (December 31, 2009 – $115,626,537) and the fair value is $123,175,885 (December 31, 2009 – $108,486,201) respectively.

The fair value of the Master Trust's net assets at December 31, 2010 and the Plan's proportionate share is:

Cash	$	35,317
Dividends receivable		27,360
Short-term investments		546,209
Bond funds		60,689,118
Equities - Canadian		18,297,064
- U.S.		9,591,125
- Non-North American Pooled Funds		13,565,946
- Global Pooled Funds		20,423,746
	$	123,175,885
Proportionate share (28.07%)	$	34,573,839

5. INVESTMENT IN MASTER TRUST (continued)

Determination of fair value

The best evidence of a fair value is from an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

- Level 1 – quoted prices in active markets are readily available.
- Level 2 – valuation models using observable market inputs other than quoted market prices.
- Level 3 – models using inputs that are not based on observable market data.

All fair values of the financial assets of the Plan at December 31, 2010 and December 31, 2009 used Level 1 basis of fair values.

6. INVESTMENT VALUATION ADJUSTMENT

The investment valuation adjustment consists of a net unrealized gain from the investment in the Master Trust of $1,213,762 (2009 – $2,770,307) and a net realized gain of $23,700 (2009 – net realized loss $5,434) recognized in the Statement of Operations.

7. RELATED PARTY TRANSACTIONS

These financial statements include transactions with related parties. The Plan is indirectly related to various Saskatchewan Crown Agencies such as ministries, corporations, boards, and commissions under the common control of the Government of Saskatchewan. The Plan is also indirectly related to non-Crown enterprises that the Government jointly controls or significantly influences. Transactions with these related parties are in the normal course of operations. They are recorded at the agreed upon exchange rates and are settled on normal trade terms.

Due to the nature of the Plan, substantially all of the employer contributions and employer contributions receivable are from related parties.

At year-end, amounts reimbursed to SAHO and the recorded amounts of these transactions and amounts due to or from other related parties as a result of the transactions referred to above, are included in the financial statements and the table below.

7. RELATED PARTY TRANSACTIONS (continued)

	2010	2009
Contributions receivable	$ 486,273	$ 448,583
Contribution revenue	6,238,463	6,001,315
Recoveries	42,902	15,750
Accounts payable	38,612	42,642
Administrative expenses	239,377	243,887

In addition, the Plan pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all of its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

8. PROVISION FOR FUTURE DISABILITY BENEFITS

The actuarial present value of accrued disability benefits is based on an actuarial valuation made as at December 31, 2010 by Aon Hewitt, previously known as Aon Consulting Inc., an independent actuary and consists of the following principal components:

	2010	2009
Liability for long term disability benefit	$ 18,192,000	$ 19,205,000
Claims incurred but not reported	2,278,000	1,978,000
Liability for claims payment expenses	819,000	847,000
Actuarial present value of accrued disability benefits	$ 21,289,000	$ 22,030,000

The principal components of changes in the actuarial present value during the year were as follows:

	2010	2009
Actuarial present value of accrued disability benefits, beginning of year	$ 22,030,000	$ 20,823,000
Interest accrued on benefits	1,280,000	1,301,000
New LTD claimants	4,978,000	4,531,000
Expected total benefit payments with interest	(4,541,000)	(4,285,000)
Impact of change in valuation assumptions	19,000	444,000
Impact of changes in benefits and data	-	29,000
Impact of experience gains[1]	(2,477,000)	(813,000)
Actuarial present value of accrued disability benefits, end of year	$ 21,289,000	$ 22,030,000

(1) The favourable impact of experience gains during 2010 was primarily a result of existing long-term disability claims closing earlier than anticipated along with lower than expected incurred but not report claims reduced by lower than expected offsets.

8. PROVISION FOR FUTURE DISABILITY BENEFITS (continued)

The valuation of the accrued disability benefits is based on a number of assumptions about future events and was derived from an experience study conducted on the Plan. The significant actuarial assumptions used in the valuation were:

a) Interest rate

A valuation interest rate of 6.00% (2009 – 5.75%) per annum, net of investment expenses, was used representing a long-term estimate of the financial obligations of the Plan.

b) Termination rates

The termination rate assumptions used in the valuation are based on a combination of the following two sets of termination rates:

1) the smoothed termination rates derived from the December 31, 2009 experience study of the Plan; and
2) the graduated disability recovery rates from the Canadian Group Long-Term Disability Termination Experience Report, 1988 to 1997, as published by the Canadian Institute of Actuaries.

c) Incurred but not reported (IBNR)

The IBNR reserve is calculated using assumptions about the history and experience of the average number of claims incurred but not reported as at the valuation date.

d) Claims payment expenses

The liability for claims payment expenses considers the disability claims in payment and based on the past experience is determined as 4% of the total liability for accrued disability benefits.

e) Benefit offset

It is assumed that the benefit paid from the Plan would be offset by a disability benefit paid from external sources like the Canada Pension Plan, Workers' Compensation Board, Saskatchewan Government Insurance, or from other sources. The Plan is expected to pay a net benefit equal to 95% of the member's gross disability benefit during the first year reducing to 75% by the fifth year and thereafter.

8. PROVISION FOR FUTURE DISABILITY BENEFITS (continued)

The following illustrates the effect of changes in the interest rate and termination rate assumptions:

- a 1% increase in the interest rate equals a 3.9% decrease in the provision while a 1% decrease in the interest rates results in a 4.4% increase to the provision.
- a 10% increase in the termination rate equals a 2.1% decrease in the provision while a 10% decrease in the termination rate results in a 2.2% increase to the provision.

The provision for future disability benefits is long term in nature. There is no active market for settling these obligations; therefore, it is not practical to determine the fair value of the provision for future disability benefits.

9. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's presentation.